

Canadian Pacific Railway Company.



CANADIAN PACIFIC RAILWAY COMPANY.

MONTREAL, 12th September, 1887.

TO THE SHAREHOLDERS,

In view of the exaggerated accounts and persistent mis-statements which have been sent out concerning the railway agitation in Winnipeg, the Directors of the Company have thought it due to the shareholders to publish a brief statement of the facts for their information.

On the 21st of October, 1880, the contract for the construction of the Canadian Pacific Railway was signed, and for the purpose of carrying it out the Canadian Pacific Railway Company was incorporated on the 17th February, 1881.

Article 15 of the contract provided that for twenty years the Dominion Government should not authorize the construction of any line of railway running south from the main line of the Canadian Pacific Railway to any point within fifteen miles of the International boundary.

It is asserted and widely believed that this clause has no effect in the original province of Manitoba; but the British North America Act, which settled and defined the Constitution of Canada, distinctly assigns to the jurisdiction of the Dominion Parliament all matters not specifically delegated to the Provincial Legislatures and the power to legislate concerning railways extending beyond the International boundary, or intended to connect

with other lines at such boundary, is nowhere in the Constitution given to the Provinces.

Whether or not the fifteen mile limit applies to the original Province of Manitoba, the matter of a railway connection at the International boundary is clearly within the control of the Dominion and as clearly beyond the power of the Province.

The object and spirit of the fifteenth clause of the contract with the Company was the temporary protection of the interests of the Dominion, in the Northwest, as well as the protection of the Canadian Pacific Railway from the encroachment of lines from the south, during the infancy of the enterprise. Could connections be made with the American railway system at the southern boundary of the original Province of Manitoba, the clause would be meaningless, for once across the boundary line there would be practically no limit to the extensions that might be made.

The Company required protection because it was bound under its contract to make an enormously expensive railway through what was thought to be an unproductive wilderness north and east of Lake Superior. It was, also, bound to take over and work the line then being built by the Government, from Lake Superior to Red River, through a similar unpromising district, and it was required to give security for the working of the entire line when completed. It was not expected at the time that sufficient local traffic could be developed for many years to make the section from Lake Nipissing to Red River, nearly eleven hundred miles, self-sustaining. It was thought, indeed, that this section could never be self-sustaining, and that it must depend for its support upon the through traffic to and from the great prairies beyond, and this traffic had yet to be created as the settlement of the prairies had then scarcely begun. Railway lines were pushing northward from Chicago and St. Paul towards the Manitoba boundary, threatening to tap the prairie

section of the Canadian Northwest and to deprive the Eastern section of the railway of the traffic so necessary to its support and efficiency as part of the through line.

It was, therefore, on the part of the Company, deemed to be absolutely necessary to the procuring of the requisite capital, to the safety of the capital proposed to be invested, and, generally, to the success of the enterprise, that the traffic of the territory to be developed by the railway should be secured to it for a reasonable period ; and the term of ten years from the time fixed for the completion of the railway was agreed upon. *Without this provision for protection the necessary capital could not have been secured and the railway could not have been made.*

The Government had strong reasons, of a more exclusively public nature, for this protection. It was a political necessity that the detached Provinces should be connected and bound together by a railway, and the older Provinces were to be heavily taxed for the building of it. Political reasons alone would not justify the heavy burden it would put upon the country, but a vast territory was to be opened up, and the older Provinces looked to the extension of their trade and manufactures over the entire northern half of the continent, to justify the expenditure. Their interests required protection, and the protection afforded to the Company protected them as well. It was most important to the whole country that the railway, when made, should be in a position to efficiently serve the purposes for which it was intended, and the need of protection was generally recognized. Indeed, the same protection was insisted upon by the Government in respect of the Canadian Pacific Railway, when it was commenced as a public work, long before the Company was thought of.

Winnipeg at the time was a mere village, and the settlements in Manitoba were mainly confined to a narrow fringe along Red River. The province hailed the signing

of the contract with satisfaction, and hardly a voice was raised in objection to the so-called "Monopoly Clause."

The Company set about its work, and completed it in less than half the time required by the contract. Feeling that the protective clause in its contract placed upon it a moral obligation to provide railway facilities as rapidly as possible in southern Manitoba, where the making of railways was to some extent restricted, the Company, almost simultaneously with the commencement of work on its main line, laid out and commenced work on a system of branch lines extending south and south-west from Winnipeg; and up to this time it has expended on branch lines in Manitoba, in addition to those previously made by the Government, more than \$5,700,000.

Partly in view of the same moral obligation, but chiefly for the purpose of promoting the development of the country, the Company made its rates both for freight and passengers on a scale far below the rates of any of the railways in the United States, similarly situated. The immediate effect of the opening of the railway between Lake Superior and Winnipeg was an enormous reduction in the rates theretofore paid by the Province to and from the east over the American lines. For the chief products, and for fuel and the commodities most essential to the growth of the country, the rates were made especially low, and year by year, as the traffic has increased, these rates, in whole or in part, have been reduced until they are now in many cases less than one half the rates originally authorized. The charge that the rates are excessive or unreasonable is simply untrue.

The average earnings of the Company for the past three years have been as follows:—

	1884.	1885.	1886.
Freight per ton per mile.....	1.45 cts.	1.20 cts.	1.10 cts.
Passengers per mile.....	2.60 "	2.45 "	2.10 "

And omitting the through traffic to and from the

Pacific from the figures of 1886, they stand: 1.14 cents per ton per mile for freight, and 2.13 cents per mile for passengers,—a lower average than is shown by any important American line, aside from the old Trunk lines in the east.

It has been the aim of the Company to so adjust its tariffs that the settlers in the Canadian Northwest should receive more for the products of their farms, and pay less for fuel and no more for the other necessities of life, than settlers similarly situated in the United States; and that it has succeeded in this is clearly shewn by a comparison of prices with the neighbouring sections of Minnesota and Dakota. The Company has also dealt in the most liberal manner with all the independent railway enterprises in the North-west, and the building and operation of at least two of these would have been impossible but for its coöperation and liberality.

The development of the prairie section west of Winnipeg has been rapid, and on the section from Winnipeg eastward to Lake Nipissing, where little was at first expected, a valuable local traffic from the forests and mines is growing up, giving promise that even this part of the line will, before long, be self-supporting. It may, therefore, be argued that the protection afforded by the contract is no longer necessary; but it should be remembered that the Company, encouraged and aided by the growth of its traffic, and on the faith of this protection, has expended a vast amount of money on local lines in Manitoba, and, unless prevented by the acts of the Province itself, will yet expend a large amount in the completion of the system of branch lines it has planned, and has been carrying out as rapidly as its means would permit; and it should also be remembered that all of the 433 miles of branch lines operated by the Company in the Northwest are in Manitoba; that all but sixty-five miles were paid for with the Company's money, and that many miles were made

prematurely at the urgent solicitation of the Provincial Government and without expectation of immediate profits.

But, notwithstanding the liberal policy of the Company as regards branch lines, and independent lines, and rates of transportation, notwithstanding that the tariff rates of the Company have as yet been approved by the Government only from year to year, and are subject to annual revision, and notwithstanding that no complaint of these rates has ever been made to the Railway Committee of the Privy Council, the natural and inevitable consequences of over-speculation have been mistaken by many people in Winnipeg, and some other towns in Manitoba, for the need of railway competition. This idea has been fostered by individuals with selfish ends to serve; by towns seeking advantages over others in trade; by local politicians striving for popularity, and by politicians at large for party ends. The usual means have been employed for creating and keeping up a ferment—the cry of monopoly and extortionate rates; sensational articles in the local press; unfair and false comparisons of rates; inflammatory speeches, and appeals to prejudice. The local political parties have vied with each other in securing to themselves the support of the malcontents, and this has resulted in the undertaking by the Provincial Government to construct a line of railway to the International boundary, where it has agreed to make a connection with a line advancing northward from the Northern Pacific Railway, and which is supposed to be building under the auspices of that Company. The acts of the Local Government, providing for the railway in question, are in direct violation of the British North America Act and beyond the powers of a Province, and are consequently without warrant of law.

In attempting to proceed without legal right, the Province has been checked by a temporary injunction, and it is not to be believed that in the event of a permanent

injunction being granted by the Courts, the Local Government will set the law at defiance. Nor can it be expected that the wishes of even a majority of the 100,000 people of Manitoba will prevail against the interests of the 5,000,000 people of the Dominion.

Independent of any constitutional question, and particularly in view of the heavy expenditures by the Company in making branch lines, largely at the instance of the Local Government, and of the other great expenditures that have been made by the Company for the development of the Province, the action of that Government in attempting to divert its traffic by building a railway to the boundary, however insignificant that railway may be, is unfair, unjust, and a breach of faith with the Company. The service of the Company has given universal satisfaction, and if the rates were oppressive, no complaint has ever been laid before the constituted authorities, that the facts might be authoritatively brought out and redress obtained.

It would be absurd to urge that the completion of the sixty-six miles of railway undertaken by the Government of Manitoba, would ruin the vast Canadian Pacific system, but its construction would be a violation of the contract with this Company, and the Directors feel it to be their duty to maintain the rights of the Company in the matter, in every legitimate way.

That the Country will carry out the contract with the Company in good faith, the shareholders may rest assured. The Parliament of Canada, at its last session, sustained the Government by an extraordinary majority, in the determination to prevent, if only as a matter of public policy, the building of railways in the North-west to the International boundary; and the prompt action of the Governor General in disallowing the acts of the Manitoba legislature relating to the Red River Valley Railway, followed by active steps by the

Minister of Justice to stop the work by injunction, is sufficient evidence of the intention of the Government in this regard.

The present agitation in Winnipeg is chiefly damaging in its effect on the Province itself. The intemperate, sensational and ridiculous utterances of a section of the local press are reprinted, and read abroad with alarm ; and the effect upon emigration and upon the credit of every enterprise in the Province, has already been most serious. Your Directors believe, however, that this agitation, like those which have preceded it, will disappear as soon as the people of the country come to understand the facts, and discover the motives of those by whom it was created.

GEORGE STEPHEN,
President.

RAILWAY MAP OF MANITOBA

— LINES IN OPERATION
- - - PROPOSED LINES

Scale of Miles

